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Cataclysm Now? Soon? Inevitable! 12,200 By Quarter-End

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The following extended reprint of the March 27, 2013 report appears here so as to confirm the REASONS for the possible onset at this time of the previously forecast cataclysm. It is not to say "I told you so" since I was dead wrong about the precious metals, as the commentary hereunder clearly shows.

Moreover, as previous commentary already stated, I was a quarter early in forecasting the cataclysm in the equity markets. I amended the timing soon after to make the point that the forecasted implosion was likely coming 3 months later, with a possible high in mid-April.

The redeeming virtue of the stance was that I only recommended the use of longer-dated put options and/or spreads using same. Therefore, the risk is defined and limited. However, the potential is staggering, particularly in a "cataclysm."

As you study the extended excerpt, note the precision of the April 12 projection, as that date was a double-top with the previous day's all-time high. Again, the reprint is not to say "I told you so" but, rather, remind that this will hardly have been the first time for me being a quarter early, before the forecasted high or low in question occurring.

In other words, and not for my ego but for the care of my readers, I urge being very alert to my words, not in spite of having been early, but perhaps BECAUSE I was early.

The calamity in gold of these past 2 days may simply have been the warning of what equities are about to do. For good reason, as I explain below.

Following the reprint in blue, please note the 6-month daily Dow chart, as it clearly shows the reconfirmed bearish stochastic divergences that the March 27 report warned such a high would provide.

Remember, I have shown that we are looking at something VERY analogous to 2000, when stocks embarked on a 50% calamity! READ THE MARCH 27, 2013 REPRINT BELOW (all in blue).

March 27, 2013

"Temporarily Inaudible, Hear the Deafening Sound of Cyprus Ringing the Bell"

"The April report comes a tad early due to the stunning events coming out of Europe.

"SUMMARY

"Virtually all markets are hitting their extremes for quarter-end this week, and not even Cyprus is interrupting that process, except to the well-trained eye. Therefore, many investors don't realize that this seminal event is what market players call a "bell being rung", which suggests that the event is the tip-off of a turn.

"However, the unabated trends that are influenced by the completion of pre-existent capital allocations for quarter-end has lulled investors to sleep. I want my readers to be fully awake.

"Historic extremes are being put in place....right now.

"DOW

Dow: 14529
S&P: 1562

"The market has been fixated on waiting for a few more points out of the S&P, so that it may join the other popular indices in creating new all-time highs. The discussion was not if it would happen, but whether or not to go short at such a new summit. Contrarianism offers a few scenarios, from which my favourite is:

"The S&P may make a new all-time high for quarter-end, but would then make another and minor new top by **April 12**. In doing so, the following *would be* achieved:

- Stochastic (my most reliable technical indicator, given the selected parameters) would create a divergence in the Dow that does not presently exist (the divergence presently in place is NOT the ideal, since it has not yet crossed below the 80 level, but the latter already IS the case in the S&P).
- This scenario would be akin to January 2000, when the market declined on the hype of Y2K, before the last rally to a final new top that would be taken as proof that the waters were safe to swim in.

"The analogy here is plain and obvious:

"An all-time high in the new quarter would squeeze the shorts and dub New York as the Teflon-market for sure and true, since Europe would be exposed to not matter.

"Either way (whether the final high is this week or next month), the bait of waiting for the S&P's new high will have been the hook to keep the market fish biting through this quarter's end, *while stock is distributed.*

"On the S&P's new highs, the sell-off would occur due to all of the talk about whether or not to sell such a peak (due to its forecasted and presumably discounted attainment), and particularly due to valuation and (lastly, for Americans) European policies pertaining to Cyprus.

"Then, a new peak that shrugs off Cyprus, which causes the shorts to cover and the public to be lulled to sleep. And maybe this extra pop doesn't even happen. Do NOT count on it. Just be ready if it does occur.

"There never was a Y2K problem, so the 2000 new all-time high seemed to be for real, when it was a red herring all along....before a 50% S&P smash. But/and Cyprus IS for real.
"That depositors can have capital expropriated is a shot heard around the world...certainly across Europe, which debt and banking crises are truly in their EARLY stages (stick around).

"Depositors' capital being expropriated is beyond serious, and the European public, if not investors, have figured out that "one-off events," as their politicians call them, are anything but one-time but, rather, prologue as well as just-past.

"There have been too many "one-time" policies. The public rush for gold will only accelerate and equities are the source of capital for too many.

"Regarding the public, consumer confidence (CC) has again dipped and that is what ultimately drives the market.

"That CC has done as well as it has is solely due to the massive money printing, whereby private debt has been absorbed the government, which armed forced will have been used to defend the currency, thereby allowing Americans to continue to live on the cheap. If the international wealth transfer works, why not?

"Still, the dip in CC and lofty valuations and price levels will stagger the market, once citizens the world-over discover that a lack of faith in governments and bank accounts demands gold, not shares in US equities.

"The Dow has nothing but air underneath it until 14,050, with multiple levels of support down to 13,500. **From the 2nd-half of April through June, watch out. Very realistically, the Dow could be at 12,200 by then.** If you were clever enough to not listen to me in the 4th-quarter, be wise enough to not push your luck now. For those for whom it would be appropriate, May Dow puts are being given away, given today's VIX level."

Indeed, 2000's Dow high "proved" that Y2K wasn't a problem and since that was considered to be THE problem, a new high showed that there was NO problem. However, we then learned that the problem was the economy, as I had forecast at the time.

And, now, Cyprus was feared to be the problem that everyone could forget about on the achievement of another new all-time high. Well, as I warned, Cyprus IS a major problem, as it shows the world what could become of "savings" when politicians fear deflation.

However, my greatest fear was the economy, and that all of the QE in the universe was not going to make a difference, as my reports have been reiterating for some time.

The economy has only been weakening and the stock market's divergence from it could be attributed to QE. The action in the commodities has been proof and the gold collapse has been the nail in the coffin, since it underscores the absolute failure on the part of policy makers to stimulate the real economy.

Below, please note the 6-month daily Dow chart and the terrible slow stochastic divergence that appears beneath the price chart.

The stock market's calamity is now a matter of course and, though the precision of the April 12 date selection won't be discussed (since technical precision is just a curiosity for readers), I do highlight it to give readers confidence that the final piece of the puzzle has been seen.

What I mean is that I have been highlighting the fundamentals of importance over time, but being early would mean sitting through a long grind in forming a peak, which is typical of topping patters, once basic formations and cycles have failed. I have had to stick with it using key technical indicators and specialized time cycle analyses to be able to say, "Okay, THIS is it."

This is it.

The 1st-quarter and April 12 have come and gone. And when the peak is in, the market's decline is a matter of course. That's market analysis 101. So, while matters could be even worse, my official Dow target is 12,200 by the end of the 2nd-quarter.

ASSET ALLOCATION

There is no change. Under SKGS's model, 50% of all liquid wealth is invested in gold, while the other half is equally split between the Swiss Franc and US Dollar.

Has anyone even considered the possibility that the Chinese could even be at least partially responsible for tanking the paper gold market, to help effectuate the transfer of physical gold to them?

Since 2002, I have repeatedly written of this époque, "There will be a massive transference of wealth and power from West to East, which will have to necessarily include the sale of the West's gold to them."

All if fair in greed and war, eh?

Sid Klein